

State of Washington
Joint Legislative Audit and Review Committee (JLARC)

January 2006

LEGISLATIVE AUDITOR'S UPDATE

JLARC Highlights Savings and Avoided Costs

JLARC tracks the fiscal impacts of its performance audits and reviews as one of its own performance measures. Here we update such impacts from about 170 audits and reviews completed since 1990. The table below is a quick summary of these impacts in terms of *realized savings and cost avoidances*, both one-time and ongoing. These savings are "realized" because either state agencies or the Legislature (or both) took action on JLARC's recommendations. We have also estimated additional *potential savings* if JLARC's recommendations were to be fully implemented in the future.

Savings Through JLARC Audits: 1990 to Present

Realized Savings/Cost Avoidances

- One-Time **\$453 million**
- Annual Ongoing **\$ 83 million**

Potential Savings/Cost Avoidances

- One-Time **\$ 41 million**
- Annual Ongoing **\$187 million**

Note: The assumptions underlying these figures are based on conservative estimates. For example, with a range of dollar amounts, the low-end or mid-point estimate is used. Also, amounts reflect "present value" calculations.

Examples of Recent JLARC Savings

- **Department of Natural Resources Fire Suppression Study (2005)** — JLARC identified concerns with how the General Fund was being charged for the use of helicopters to fight forest fires. As a result, \$1 million in excess equipment funding was transferred back to the General Fund in 2005.
- **Higher Education Facilities Preservation Study (2003)** — Necessary maintenance and repair backlogs at Washington's public higher education institutions total \$1.3 billion. An estimated \$25 million per year in future costs could be avoided if the state implemented all recommendations for improved facility stewardship. JLARC has subsequently been asked to update the framework used to evaluate facility needs.
- **School for the Deaf Capital Facilities Study (2002)** — JLARC raised issues with the size and cost of a proposed new school facility in the Governor's 2003-05 Capital Budget. Neither the 2003-05 Capital Budget, nor the 2004 Supplemental, included the \$19.8 million originally requested for the School.
- **Mental Health Performance Audit (2000)** — JLARC identified excess fund balances retained by Regional Support Networks in Washington's mental health system. The 2002 Supplemental Budget took \$22 million in savings from these fund balances. In addition, the 2004 Supplemental Budget created a Joint Task Force on Mental Health to examine service delivery and financing issues.

JLARC Recommendations Are Carried Out

Between January 2003 and December 2005, JLARC has made 81 recommendations to state agencies, the Legislature, the Office of Financial Management, and the Governor's Office. We have been keeping tabs on the status of these recommendations—

- **Almost three-quarters of JLARC recommendations are being implemented.** Agencies continue to improve performance management processes and information in response to JLARC performance audits. The Legislature has also put JLARC recommendations into effect through policy legislation and its biennial budgets.
- **The remaining one-quarter of recommendations have not been implemented to date.** The majority of these recommendations are from recent reports with completion dates in the future.

What's Ahead

JLARC received twelve new study assignments in legislative budget and policy bills passed during the 2005 session. In addition, two other new studies have been scheduled on the 2005-07 work plan as Committee priorities. These new studies are in addition to assignments mandated by legislation from prior years. Studies that will be provided in upcoming months include:

- **Basic Health Plan Part 2** — The 2005-07 Operating Budget directs JLARC to conduct a performance audit of the Health Care Authority's Basic Health Plan (BHP). This JLARC study will be the **second part** of a two-part review of the BHP and will examine the characteristics of individuals enrolled in the basic health plan, as well as their utilization of health care services.
- **Certificate of Need Program Performance Audit** — ESSHB 1688 (2005) creates a task force to study and prepare recommendations on improving and updating the state's Certificate of Need program, and directs JLARC to conduct a performance audit of the Department of Health's administration and implementation of the Certificate of Need program.
- **K-12 Pupil Transportation Funding Formula Study** — The 2005-07 Operating Budget directs JLARC to conduct a study of the K-12 pupil transportation funding formula. This study will examine the current state pupil transportation funding formula and evaluate the extent to which the formula reflects the costs of providing pupil transportation for basic education programs. It will also identify whether there are alternative funding formulas that would more accurately reflect local operating costs for basic education transportation.
- **Department of Health Performance Audit** — This JLARC-sponsored study is expected to include a comprehensive performance audit of the Department of Health's public health role, including assessing the Department's coordination with local public health agencies, analyzing the performance of the overall public health system, and reviewing the consistency of federally funded initiatives with state legislation and the Department's mission.

JLARC's full reports located on our website
<http://jlarc.leg.wa.gov>

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Legislative Auditor

Ruta Fanning

506 16th Avenue SE
Olympia, WA 98501-2323
Campus Mail:
PO Box 40910
Phone: (360) 786-5171
FAX: (360) 786-5180